

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

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R 251330Z SEP 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6714

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E.O. 11652: N/A

TAGS: EAGR, EG

SUBJECT: EGYPTIAN COTTON PRICES

REF A. CAIRO 6640; B. CAIRO 9538

1. EMBOFF DISCUSSED NEW COTTON PRICES (REF B) WITH GENERAL ORGANIZATION PRESIDENT MUSTAPHA MOURAD SEPTEMBER 23. MOURAD CLAIMED THAT PRICES HAD BEEN SET "REALISTICALLY" THIS YEAR AND THAT HE HOPED REACTION WOULD BE GOOD. HE SAID HE ALREADY HAD REPORTS THAT THE JAPANESE WERE PLEASED WITH PRICES AND THAT THEY WOULD BUY THEIR "USUAL AMOUNT". (IN 1973/74 THIS WAS IN EXCESS OF 180,000 BALES). IN GERMANY, PRICES WERE ALSO WELL RECEIVED. ON THIS BASIS MOURAD WAS OPTIMISTIC THAT SALES TO HARD CURRENCY MARKET WOULD INCREASE MARKEDLY. HE DID NOT FORESEE SITUATION AS DEVELOPED IN 1974-75 I.E. BECAUSE OF UNREALISTICALLY HIGH PRICE, EGYPT WAS FORCED TO UNLOAD ITS COTTON CROP TO SOVIETS THUS LOSING MUCH OF ITS HARD CURRENCY INCOME.

2. REGARDING SIZE OF THIS YEAR'S CROP, MOURAD WAS DEPRESSED. HE SAID THAT, DESPITE AN INCREASE IN PRICES WHICH GOVERNMENT PAYS THE FARMER FOR HIS COTTON, THIS YEAR'S CROP WAS EXTREMELY LOW - 7-8 MILLION KANTARS WHICH IS DOWN FROM 8/2 MILLION KANTARS LAST YEAR. HE SAID THAT THIS SHOWS THAT EGYPTIAN FARMER IS FED UP WITH GOVERNMENT'S PRICING POLICY AND PREDICTS THAT UNLESS

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SOMETHING IS DONE TO REALISTICALLY COMPENSATE FARMERS FOR THEIR

COTTON, SIZE OF HARVEST WILL CONTINUE TO DECREASE. MOURAD SAID HE IS URGING GOE TO ANNOUNCE A FURTHER LE 2-3 INCREASE IN BUYING PRICE PER KANTAR BEFORE PLANTING SEASON BEGINS IN EARLY 1976. MOURAD POINTED OUT THAT EVEN WITH PREVIOUS 2 YEARS' INCREASES WHICH AMOUNTED TO LE 41 PER KANTAR, THERE IS STILL A LE 12 DIFFERENCE BETWEEN PRICE FARMER GETS FOR HIS COTTON AND PRICE AT WHICH GOVERNMENT SELLS IT ON WORLD MARKET.

3. COMMENT. MOURAD IS A WELL-KNOWN CRITIC OF GOVERNMENT AGRICULTURAL POLICY. WE WOULD APPRECIATE WASHINGTON REACTION TO CURRENT EGYPTIAN COTTON PRICES FROM STANDPOINT OF ANALYSIS OF WORLD MARKET. ABILITY OF EGYPTIANS TO SELL THEIR COTTON RATHER QUICKLY WILL HAVE AN IMPORTANT EFFECT UPON THEIR BUDGETARY POSITION IN 1976.  
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